

Glossary of Financial Terms

Term	Definition
Account	An arrangement or facility at a bank for depositing and withdrawing money.
Accumulated value	Sum of original investment plus money earned through interest.
Annual Growth	Yearly increase.
Appreciate	Increase in value over time.
Asset	A possession that usually increases in value or provides a return.
Bank	A financial establishment which uses money deposited by customers for investment, pays it out when required, making loans at interest, exchanges currency etc.
Barter	An exchange of goods and services for other goods and services.
Billion	One thousand million.
Board Lot	A standard trading amount, usually 100 shares, which has been agreed upon by stock exchanges.
Budget	A monetary plan – that may be simple or detailed – with forecasts of earnings and expenditures for a set period.
Canada Savings Bond	Backed by the government of Canada, this fixed interest investment involves lending the government money for a set period of time, receiving income throughout that period.
Capital	To an investor, capital means the total of the financial assets they have invested in securities, their home and other fixed assets, plus cash. To an economist, it means machinery, factories and inventory required to produce other products.
Capital Gain	Profit from the sale price of an asset being higher than its purchase price.
Capital Loss	Loss from the sale price of an asset being lower than its purchase price.
Cash a cheque	To convert a cheque into money, by depositing it into an account or by exchanging it in return for cash.
Cash equivalent	Instruments that can be changed easily into currency.
Cheque	A piece of paper that can be used in exchange for goods or services. It tells the bank to pay the recipient a specific sum of money.
Collectibles	Items thought to increase in value over a period of time. Investing in collectibles carries the risk that their value will not increase.
Commission	A payment method where you make a portion of the amount you sell.
Compound Growth	The interest earned on an investment is added to the base amount, and this new figure is used to calculate the following year's investment.
Contract	A written or verbal agreement enforceable by law.
Coupon	A slip that entitles the holder to a discount when purchasing goods or services.
Credit Card	A card issued by a financial institution that allows you to buy "on credit." The financial institution pays the purchase price, but the loan must be repaid within a certain time to avoid an interest fee.
Credit Union	A non-profit co-operative. Members can borrow money, make deposits, and pay low interest rates.
Currency	Money circulated within an economy including coins and paper notes.
Debit Card	A card that allows you to transfer money from one bank account to another. When used, money is deducted from your bank account and added to the merchant's account.
Debt	Money that is borrowed. The borrower pays interest for the use of the money and is obligated to pay at a set date.
Depreciate	Decrease in value over time.
Discount	The difference between the lower price paid and the original price.
Dividend	A cash payment using profits that is announced by a company's board of directors to be distributed among stockholders.
Earnings	Net income for a company during a specific period.

Earnings Per Share	Net income for a specific period divided by the number of outstanding shares.
Endorse (a cheque)	To sign the back of a cheque to prove you are the person to whom the cheque is written.
Expenditures	A sum of money used for a need or a want.
Financial Institution	Institution that collects funds from the public to place in financial assets such as stocks, bonds, money market instruments, bank deposits or loans.
Fiscal Year	Any 12-month period that a company uses for accounting purposes.
GIC – Guaranteed Investment Certificate	A deposit instrument that is sold by banks and trust companies, requiring a minimum investment at a predetermined rate of interest for a stated term. Generally the GIC is non-redeemable prior to maturity but there can be exceptions.
Growth Rate	The compounded annualized rate of growth of a company's revenues, earnings, dividends, etc.
Hourly Wage	A fixed amount earned per hour.
Interest	A fee charged by a financial institution for borrowing money, or for late payments. OR The charge for the privilege of borrowing money, typically expressed as an annual percentage rate.
Invest	In business, to layout money with the view of obtaining an income or profit.
Investment	The use of money to make more money, to gain income and/or increase capital.
Invoice	A list of goods and services rendered, showing the amount to be paid.
Liability	Debts that must be paid off.
Minimum Wage	The lowest hourly wage a company can legally pay. Different provinces have different minimum wages.
Minting; Mint	To make a coin by stamping metal; a place where money is coined.
Money Management	Planning how to take care of and protect your money, including budgeting, saving and investing.
Needs	Requirements necessary to live a certain lifestyle.
Net Worth	The difference between your assets and liabilities, it defines you wealth.
Overtime	Each additional hour worked over 40 hours a week.
<i>P/E Ratio</i>	Calculated by dividing Market Value per share by Earnings per Share, a high <i>P/E</i> can indicate high projected earnings in the future. It is useful for making comparisons between companies, or against the company's own historical <i>P/E Ratios</i> .
Piecework	Type of employment that pays according to the amount of pieces produced.
Profit	A financial gain, or the money left over after subtracting expenses from income.
Retained Earnings	The cumulative total of annual earnings kept by a company after payment of all expenses and dividends.
Return on Investment	The profit or loss resulting from an investment.
Revenue	The amount of annual sales, including discounts and returned merchandise.
Salary	A fixed amount paid in regular intervals by an employer.
Savings	The difference between earnings and expenses.
Savings Account	An account intended for depositing funds.
Share	Certificate representing ownership in a corporation.
Stale dated	Cheques older than 6 months, which are usually no longer valid.
Stocks	Shares in the ownership of a corporation that are a claim on its earnings and assets.
Stock Market	A place that brings together users and providers of capital.
Taxes	Money levied by the government on income and sales.
Time and a Half	Payment of one and a half times the regular hourly wage, usually paid for each hour over 40 hours worked in one week.
Tip	A sum of money given as a reward for service in addition to the cost of the service.
Trade	An exchange in which buyers and sellers agree on a price.

Treasury Bill	A government debt security with a maturity that is less than one year. They do not pay fixed interests – treasury bills are sold at a discount and mature at par. The difference between the purchase price and par at maturity is the purchaser's income or interest.
Trust Company	A company that is made nominal owner of monies deposited into it for the benefit of others.
Yield	Return on an investment. A stock yield is the dividend paid on a share divided by the share price that is a measure of the income generated by an investment.

Summary of Formulas

Name	Formula	Activity
Wealth	Wealth = Assets – Liabilities	1
Savings	Savings = Earnings – Expenditures	5
Percent Growth	$P = 100 \times \frac{(\text{Current Cost} - \text{Original Cost})}{\text{Original Cost}}$	9
Accumulated Value	$M = (1 + i)^n$	9
Dividend Yield	$\text{Yield} = \frac{\text{dividend}}{\text{share price}}$	10
P/E Ratio	$P/E = \frac{\text{share price}}{\text{earnings per share}}$	10
Profit	Profit = Revenue – Expenses	11
Return on Investment	$\text{Return on Investment} = 100 \times \frac{(\text{dividend} + \text{capital gain})}{\text{purchased share price}}$	11
Volatility	$\text{Volatility} = 100 \times \frac{(\text{Year High} - \text{Year Low})}{\text{Current Share Price}}$	13